

Message Text

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P 140530Z JUL 76

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AMCONSUL BOMBAY

AMCONSUL MADRAS

AMCONSUL CALCUTTA

UNCLAS SECTION 1 OF 2 NEW DELHI 10298

E.O. 11652: N/A

TAGS: BEXP, IN

SUBJECT: CCP-76, FOURTH QUARTER PROGRESS REPORT AND YEAR-END
ASSESSMENT

REF: NEW DELHI 6552

1. INTRODUCTION AND SUMMARY: EMBASSY AND CONSULATES
HAVE SUBSTANTIALLY MET TARGETS SET FORTH IN CCP-76.
PRIMARY CONSTRAINTS ON FURTHER EXPANSION OF US EXPORTS
TO INDIA CONTINUE TO BE RELATIVE UNAVAILABILITY OF
CREDIT ARRANGEMENTS, FOREIGN CURRENCY CONTROLS AND
GOI'S LONG-STANDING POLICY OF IMPORT SUBSTITUTION;
IN HIGH PRIORITY AREAS SUCH AS ENERGY, MINERALS EXTRACTION,
ELECTRONICS/COMMUNICATIONS AND EXPORT-ORIENTED INDUSTRIES.
US PRODUCTS STILL MAINTAIN COMPETITIVE EDGE, BECAUSE OF
TECHNOLOGICAL SUPERIORITY. THE INTERNAL ECONOMIC SITUATION
HAS IMPROVED BUT INDUSTRY IS NOT YET OUT OF THE DOLDRUMS.
BUSINESS UNCERTAINTY STILL PREVAILS TO SOME EXTENT.
DEMAND RECESSION, THAT HAS CONTINUED RELATIVELY
UNABATED THROUGH FY-76, SHOWS SOME SIGNS OF EASING.
THE GOI, HOWEVER, ANTICIPATES AN UPWARD SWING SHORTLY
IN DOMESTIC DEMAND, BECAUSE OF PLANS TO RELEASE DOLS300
MILLION IN COST-OF-LIVING ALLOWANCES TO MOST ORGANIZED
SECTOR EMPLOYEES AND TO STEP UP CAPITAL INVESTMENT.
END SUMMARY.

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2. YEAR-END ASSESSMENT OF CCP;76. EMBASSY AND CONSULATES HAVE SUBSTANTIALLY MET THE TARGETS SET FORTH IN CCP-76 DOCUMENT. THE PRIMARY CONSTRAINTSON FURTHER EXPANSION OF US EXPORTS TO INDIA CONTINUETO BE (A) THE AVAILABILITY OF MORE ATTRACTIVE CREDIT ARRANGEMENTS OFFERED BY THIRD-COUNTRY COMPETITORS; (B) CONTROLS ON THE USE OF FOREIGN CURRENCY RESERVES; (C) GOI'S POLICY OF IMPORT SUBSTITUTION AND (D) LENGTHY LEAD-TIME REQUIRED IN NEGOTIATING CREDIT SALES THROUGH INTERNATIONAL LENDING INSTITUTIONS. US PRODUCTS, BECAUSE OF THEIR TECHNOLOGICAL SUPERIORITY, STILL ENJOY A COMPETITIVE ADVANTAGE IN HIGH PRIORITY AREAS SUCH AS ENERGY-RELATED PROJECTS, MINERAL EXTRACTION, HIGH-TECHNOLOGY ELECTRONICS AND COMMUNICATIONS EQUIPMENT AND INDUSTRIAL MACHINERY AND EQUIPMENT NEEDED FOR EXPORT-ORIENTED INDUSTRIES. WITH REGARD TO THIS LAST INDUSTRY SECTOR IN PARTICULAR, THE GOI HAS LIBERALIZED IMPORT REGULATIONS TO FACILITATE THEIR COMPETITIVENESS AND EXPANSION IN THE WORLD MARKET. THE LIBERALIZATION SHOULD ALSO MEAN AN INCREASE IN THE IMPORTS OF CAPITAL GOODS.

THE SUBSTANTIAL INTEREST GENERATED IN OUR RECENT INSTRUMENTS CATAOG SHOW IS INDICATIVE OF LATENT, BUT VERY STRONG ATTRACTION TO US PRODUCTS AND TECHNOLOGY. PROSPECTS ARE GOOD FOR CONTINUED, MODEST EXPANSION OF US MANUFACTURED GOODS. CRUCIAL HERE IS THE CHOICE OF A COMPETENT AGENT, AND PATIENCE WITH INDIA'S FORMIDABLE BUREAUCRACY. INDIA REPRESENTS A POTENTIALLY VERY LARGE MARKET FOR THE WHOLE RANGE OF HIGH TECHBOLOGY MACHINERY AND EQUIPMENT.

THE INTERNAL ECONOMIC SITUATION, WHILE MUCH IMPROVED, IS NOT YET OUTOF THE DOLDRUMS. THE GOI IS STILL KEEPING A FAIRLY TIGHT REIN ON INFLATIONARY TENDENCIES. SINCE APRIL OF THIS YEAR, HOWEVER, WHOLESALE PRICES HAVE RISEN BY APPROXIMATELY FOUR PERCENT, ACCORDING TO GOI.

BUSINESS UNCERTAINTY STILL PREVAILS TO SOME EXTENT. DESPITE RECORD PRODUCTION IN THE INDUSTRIAL/AGRICULTURAL UNCLASSIFIED

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SECTORS, INDUSTRIAL INVENTORIES REMAIN HIGH. THE "BUSY SEASON", OR THE PERIOD DURING WHICH CONSUMER PURCHASES RISE, PARTICULARLY AFTER A RECORD HARVEST, DID NOT MATERIALIZE AS ANTICIPATED. THIS CONTINUING DEMAND RECESSION IN A NUMBER OF INDUSTRIAL SECTORS, COUPLED WITH A SLUMP IN PRIVATE CAPITAL INVESTMENT, HAS PERSISTED OVER THE PAST YEAR THE CONSUMER DURABLES INDUSTRY, INCLUDING TEXTILES, WHICH COMPRISES 50 PERCENTNOR

MORE OF INDIA'S ENTIRE INDUSTRIAL WORK FORCE,HAS BEEN MOST AFFECTED BY THIS RECESSION. THE GOI, HOWEVER, FORECASTS AN UPWARD SWING IN DEMAND AND PRIVATE INVESTMENTS IN THE NEAR FUTURE, BECAUSE OF ITS PLANS TO RELEASE DOLS300 MILLION WORTH OF DEARNESS ALLOWANCES TO GOVERNMENT EMPLOYEES, AND ITS OWN STEPPED-UP INVESTMENT. AS YET, HOWEVER, THERE ARE FEW SIGNS THAT THE DEMAND RECESSION HAS BEGUN TO EASE UP.

3. FOLLOWING IS FOURTH QUARTER PROGRESS REPORT ON IMPLEMENTATION OF CCP-76:

A. CAMPAIGN NO. 1. ELECTRONICS AND COMMUNICATION EQUIPMENT

1) MARKET SURVEYS. SURVEY ON COMPUTER PERIPHERALS POUCHED TO USDOC ON JUNE 7, 1976. UPDATES OF TWO OTHER SURVEYS, ON ELECTRONIC COMPONENTS AND ELECTRONICS INDUSTRY PRODUCTION/ TESTING EQUIPMENT, RESPECTIVELY, POUCHED TO USDOC IN FIRST WEEK OF JULY, IN PREPARATION FOR CATALOG SHOW PLANNED FOR JANUARY 1977.

2) SEEPZ REPORTING. OF FIFTY VENTURES SO FAR APPROVED. TWELVE ARE IN OPERATION (SEVEN WITH US AFFILIATION). ONLY THREE, HOWEVER, ARE WORKING FULL TIME BECAUSE OF CONTINUINGWORLD-WIDE RECESSION IN ELECTRONICS INDUSTRY. SEEPZ AUTHORITIES ESTIMAE THAT AN ADDITIONAL TWELVE VENTURES WILL LIKELY START PRODUCTION BY END OF 1976. FULL REPORT SUBMITTED BY CONGEN BOMBAY IN A-31 OF JULY 8, 1976.

B. CAMPAIGN NO. 2. SCIENTIFIC, INDUSTRIAL AND MEDICAL INSTRUMENTS.

1) TRADE AND INVESTMENT OPPORTUNITIES. TRADE OPPORTUNITY REPORTING EXCEEDED CCP-76 TARGET BY ALMOST 100 PERCENT (FROM 24 TO 44), WHEREAS INVESTMENT OPPORTUNITY REPORTING FEL SHORT OF UNCLASSIFIED

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TARGET BY ALMOST 50 PERCENT (FROM 16 TO 6).

2) FEB/MARCH CATALOG SHOW. BY ANY MEASURE, THE RECENTLY HELD CATALOG SHOW WAS A NOTABLE SUCESS. THE SHOW INTRODUCED PRODUCTS OF 219 US FIRMS TO INDIAN BUSINESS COMMUNITY IN IN FIVE CITIES--INSTEAD OF ORIGINALLY PLANNED FOUR CITIES. CONGEN MADRAS MET WITH ENOUGH SUCCESS IN THEIR FIRST SHOWING IN BANGALORE, TO HOLD AN ADDITIONAL SHOWING IN MADRAS. AT LEAST HALF OF US FIRMS REPRESENTED IN THE SHOW WERE NEW-TO-MARKET, THUS FAR EXCEEDING CCP-76 TARGET OF INTRODUCING 25 NEW-TO-MARKET FIRMS. FOR FULL DETAILS, PLEASE SEE NEW DELHI 3267, NEW DELHI A-79, AS WELL AS REPORTING FROM CONGENS.

C. CAMPAIGN NO. 3. CHEMICAL AND FERTILIZER PLANT EQUIPMENT

1) TRADE AND INVESTMENT OPPORTUNITIES. BOTH TO AND IO REPORTING FELL CONSIDERABLY SHORT OF TARGETS SET FOR CCP-76 (FROM 20 TO 8, AND 8 TO 1 RESPECTIVELY). FOR CHEMICAL EQUIPMENT, SHORTFALL WAS ATTRIBUTED TO SLOW DOWN OF GOVERNMENT AND PRIVATE SPENDING AS RESULT OF DEMAND RECESSION. FOR FERTILIZER EQUIPMENT, BIDDERS WERE PREQUALIFIED AND TENDERS WERE SENT DIRECTLY TO THEM AND NOT PUBLICALLY DISSEMINATED. THUS TENDERS WERE REPORTED AS EARLY WARNING REPORTS.

2) EARLY WARNING REPORTING. EARLY WARNING REPORTS FELL SHORT OF TARGET, FROM 5 TO 2.

3) MARKET SURVEYS. SURVEY ON CHEMICAL AND FERTILIZER PLANT EQUIPMENT SUBMITTED TO USDOC IN MAY 1976. CCP-76 ORIGINALLY ENVISIONED PREPARATIONS OF TWO SEPARATE SURVEYS, ONE ON CHEMICAL PLANT EQUIPMENT AND THE OTHER ON FERTILIZER PLANT

EQUIPMENT. IT WAS LATER DECIDED THAT COMBINED SURVEY WOULD SERVE THE SAME PURPOSE.

4. TRADE ARTICLES. ONLY ONE OF TWO ARTICLES PLANNED FOR THIS CAMPAIGN WAS PUBLISHED IN THE COMMERCIAL NEWSLETTER DUE TO UNAVAILABILITY OF APPROPRIATE MATERIAL.

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D. CAMPAIGN NO. 4. MINING MACHINERY AND EQUIPMENT.

1) KUDREMU KH IRON ORE PROJECT. EMBASSY SUBMITTED NINE STATUS REPORTS DURING FY-76. THIS NUMBER IS ALMOST DOUBLE

THAT PROJECTED (5) IN CCP. AT TIME OF WRITING, THE MAJOR CONTRACTORS FOR PROJECT HAVE STILL NOT BEEN ANNOUNCED BY GOI--THOUGH DECISION IS EXPECTED SHORTLY. TOP RUNNERS APPEAR TO BE US STEEL, AND KAISER ENGINEERS. AND ARTHUR MCKEE.

2) TRADE AND INVESTMENT OPPORTUNITIES. BOTH TO AND IO REPORTING FELL SOMEWHAT SHORT OF PROJECTED TARGETS, FROM 20 TO 14, AND 5 TO 3 RESPECTIVELY. AGAIN, SHORTFALL ATTRIBUTED, IN PART, TO SLOW-DOWN IN GOVERNMENT SPENDING AND NEW PRIVATE INVESTMENTS AS RESULT OF DEMAND RECESSION.

3) TRADE ARTICLES--CCAG SUCCEEDED IN PUBLISHING ONE OF TWO PROJECTED ARTICLES. APPROPRIATE MATERIAL WAS NOT AVAILABLE TO PUBLISH SUBSEQUENT ARTICLE CALLED FOR IN CCP-76.

4) EARLY WARNING REPORTING. NO EARLY WARNING REPORTS WERE SUBMITTED IN FY-76 FOR SAME REASON AS THAT GIVEN IN SUB-SECTION NO. 1 ABOVE.

5) PROJECTED SALES. CCP ESTIMATED SALES OF DOL\$50 MILLION IN EQUIPMENT AND SERVICES IN FY-76. THIS WOULD PROBABLY HAVE MATERIALIZED, HAD GOI ANNOUNCED DECISION ON KUDREMUH BY MAY 1976 AS ANTICIPATED. ANOTHER POSSIBLE SALE INVOLVES JEFFERY MINING EQUIPMENT DIVISION OF DRESSER INDUSTRIES, INC. SHOULD THIS LATTER DEAL GO THROUGH, IT WILL MEAN A SALE AMOUNTING TO DOL\$4-5 MILLION. WHILE CCAG UNCLASSIFIED

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IS NOT AWARE OF ANY OTHER MAJOR SALES OF MINING MACHINERY AND EQUIPMENT, IT IS POSSIBLE THAT SOME TOOK PLACE WITHOUT COMING TO THE ATTENTION OF EMBASSY OR CONSULATES.

E. CAMPAIGN NO. 5. OILFIELD MACHINERY AND EQUIPMENT.

1) FOURTH QUARTER PROGRESS REPORT FOR THIS CAMPAIGN REMAINS ESSENTIALLY UNCHANGED FROM THAT GIVEN IN REFTTEL.

2) BREAKDOWN OF MISSION ACTIVITIES. EMBASSY PERSONNEL MADE THREE TRIPS TO DEHRADUN DURING FY-76 TO CONFER WITH ONGC OFFICIALS, MADE 15 PERSONAL CALLS ON OTHER GOI OFFICIALS AND ASSISTED APPROXIMATELY 14 US BUSINESSMEN REPRESENTING 10 US FIRMS.

3) FBP SUPPORT. EMBASSY AND CONGENS ALSO PUBLICIZED THE INTERNATIONAL PETROLEUM EXPOSITION TO APPROXIMATELY 150 GOI OFFICIALS AND PRIVATE BUSINESSMEN. END RESULT WAS OUR ASSISTANCE TO TWO OIL OFFICIALS, TWO ONGC OFFICIALS AND SIX PRIVATE BUSINESSMEN WHO ATTENDED THE EXPOSITION.

(COMMENT: CCAG WELCOMES THE CHANGES REFLECTED IN CCP-77 FORMAT. SHIFT IN EMPHASIS FROM TARGET NUMBERS TO ACTIVITIES ADDS MORE REALISM TO SITUATION, AND DIMINISHES THE TEMPTATION TO PLAY THE NUMBERS GAME. THE SHORTFALLS AS

WELL AS THE TARGETS EXCEEDED THAT WERE CITED ABOVE ARE A REFLECTION OF THE IMPRECISENESS AND POSSIBLE MISDIRECTION THAT THE TARGET--NUMBERS APPROACH MAY UNWITTINGLY ENCOURAGE, SUCH AS GAZING INTO THE CRYSTAL BALL. END COMMENT.)

4. NON-CAMPAIGN ACTIVITIES: IN ADDITION TO EXTENSIVE WORK ON GSP (SEE REFTTEL), EMBASSY AND CONSULATES ACHIEVED THE FOLLOWING RESULTS IN OTHER MAJOR COMMERCIAL WORK-REQUIREMENT CATEGORIES. (NUMBER INCLUDES THOSE GIVEN ABOVE FOR CAMPAIGN ACTIVITIES).

WTDR'S	254
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PROJECT STATUS REPORTS	50
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VISITORS:	6984
AMERICAN	398

5. OTHER PROJECTS (LISTED IN SUB-SECTION 3 OF SECTION II OF CCP-76)

A. AMERICAN INVESTMENTS IN INDIA. EMBASSY HAS SUBMITTED SEVERAL STATUS REPORTS ON FOREIGN INVESTMENT CLIMATE AS IT RELATES TO THE CHANGES AND GRADUAL IMPLEMENTATION OF THE FOREIGN EXCHANGE REGULATION ACT (FERA), AS WELL AS TO CONSULTATIONS OF INDO-US JOINT BUSINESS COUNCIL.

B. INDO-US JOINT ECONOMIC SUB-COMMISSION REQUIRED ACTIVITIES ENUMERATED UNDER THIS SUB-HEADING HAVE BEEN COMPLETED.

6. USIS ASSISTANCE. THE COMMERCIAL SECTION CONTINUED ITS CLOSE WORKING RELATIONSHIP WITH USIS ON TRADE PROMOTION. AMONG SPECIFIC USIS-SPONSORED PROGRAMS SUPPORTING CCP OBJECTIVES IN FY-76 WERE THE FOLLOWING:

(A) SEMINARS/LECTURES. USIS SPONSORED 18 DIFFERENT SPEAKERS FROM US ON DIVERSE RANGE OF SUBJECTS SUCH AS "FUTURE RESEARCH TECHNOLOGY ASSESSMENT" AND "TECHNOLOGY TRANSFER;"

(B) VTR SHOWINGS. SEVEN VTRS'S ON SUCH SUBJECTS AS "FUTURE DIRECTIONS OF AMERICA'S ENERGY R AND D" AND "U.S. TRADE POLICY--AMBASSADOR DENT" HAVE BEEN SHOWN OVER THE PAST FISCAL YEAR TO KEY OFFICIALS IN THE MINISTRY OF INDUSTRY, INDIAN INSTITUTE OF FOREIGN TRADE, INSTITUTE OF ECONOMIC GROWTH, INSTITUTE OF APPLIED MANPOWER RESEARCH, MINISTRY OF PETROLEUM, MINISTRY OF ENERGY AND NATIONAL PRODUCTIVITY COUNCIL.

(C) FILM SHOWINGS. PETER DRUCKER'S FILM SERIES "THE EFFECTIVE EXECUTIVE" WAS SCREENED TO OVER 50 GOI OFFICIALS AND SCHOLARS ON FIVE DIFFERENT OCCASIONS DURING FY 76.
(D) EXHIBITS. THE COMMERCIAL SECTION HELD A CATALOG EXHIBIT ON US SCIENTIFIC, INDUSTRIAL AND MEDICAL INSTRUMENTS IN THE AMERICAN LIBRARY IN FEBRUARY 1976. NOT ONLY DID USIS MAKE AVAILABLE MEN, MATERIAL AND PHYSICAL FACILITIES, BUT OFFERED TO DESIGN AND PRINT A BROCHURE ANNOUNCING THE SYMPOSIUM. A BROCHURE/INVITATION ANNOUNCING THE SCREENING
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OF SUSI FILMS ON ADVANCED MEDICAL INSTRUMENTS AND RETURN POSTCARD FOR THOSE WHO RECEIVED INVITATION TO ATTEND THE SYMPOSIUM/CATALOG INVITATION, TO HELP DETERMINE AS

ACCURATELY AS POSSIBLE THE LIKELY NUMBER THAT WOULD ATTEND, WERE ALSO PREPARED BY USIS.

SUFFICE IT TO SAY THAT USIS ASSISTANCE HELPED TO MAKE THIS CATALOG EXHIBITION THE SUCCESS IT WAS.SAXBE

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